

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2015**

Table of Contents

	<u>Page</u>
Board of Education and School District Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis (MD&A)	5-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet -	
Governmental Funds to the Statement of Net Position	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds To the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Position	G 21
Statement of Revenues, Expenses and Changes in Fund Net Position	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 24
Statement of Changes in Fiduciary Net Position	K 25
Notes to Financial Statements	26-38
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –	
Budget and Actual - All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information - Budgetary Reporting	41
Schedule of the District's Proportionate Share of the Net Pension Liability	42
Schedule of District Contributions	43
Notes to Required Supplementary Information – Pension Liability	44
Schedule of Funding Progress for the Retiree Health Plan	45
Supplementary Information:	<u>Schedule</u>
Non-major Governmental Funds:	
Combining Balance Sheet	1 47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 48
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 49-50
Capital Project Accounts:	
Combining Balance Sheet	4 51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5 52
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6 53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7 54
Independent Auditor's Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	55-56
Schedule of Findings	57-58

**North Mahaska Community School District
Board of Education and School District Officials
Year ended June 30, 2015**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dirk Wilkin	President	2015
Tina Layman	Vice President	2015
Sherrill Strobel	Board Member	2015
Ryan Augustine	Board Member	2017
Dan Gruber	Board Member	2017
School District Officials		
Randy Moffit	Superintendent	2015
Cindy Quang	District Secretary/Treasurer	2015
Andrew Bracken	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
North Mahaska Community School District
New Sharon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the North Mahaska Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, North Mahaska Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Mahaska Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ending June 30, 2008 and we audited the financial statements for the six years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of the North Mahaska Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Mahaska Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 14, 2016

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The General Fund June 30, 2015 balance increased to \$1,138,788 from the June 30, 2014 fund balance of \$812,320. The increase resulted from an increase in open enrollment and the district funding from the 101% budget guarantee.
- The District's tax levy was decreased from \$12.78 in 2014-15 to \$11.93 in 2015-16 due primarily to lower cash reserve levy amount. The district's tax levy remained low compared to many districts in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. In 2011, the debt was refinanced for a savings of over \$60,000 to the district. An instructional support levy was passed by the board and will go into effect in the 2015-16 school year.
- Special education negative balance has decreased from \$308,000 in 2013-14 to \$189,432 in 2014-15. The decrease in special education negative balance has lowered the cash reserve levy.
- The district experienced a large enrollment decrease of 12.6 students from the previous year. The district will utilize the 101% budget guarantee in 2014-15 but will experience a sharp budget decrease the following year in 2015-16. The instructional support levy will help offset this loss of enrollment and its consequences on the budget.
- The capital project funds were used for construction projects which included the bus barn addition, football press box and renovation of the Welding Academy. Because of the debt refinancing and lower payments for debt service, a larger portion of the SILO funds are available for other projects including a one-to-one computer lap top program, buses, and equipment.

• Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

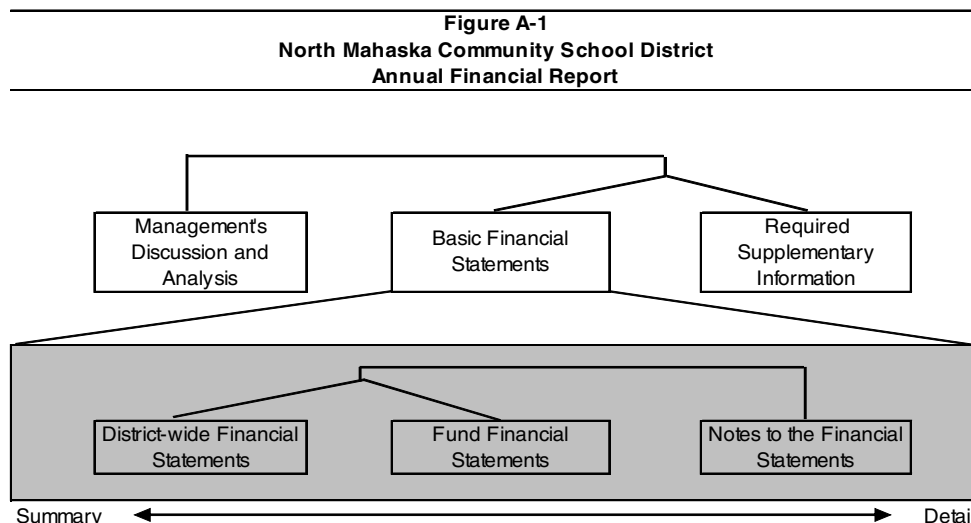


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	> Statement of Net Position > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of Net Position > Statement of revenues, expenses and changes in fund Net Position > Statement of cash flows	> Statement of fiduciary Net Position > Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

- Private-Purpose Trust Fund – The District accounts for outside donations for Scholarships for individual students in this fund.
- Agency Funds: These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for the District employee purchases. The District has only one Agency Fund which holds the employee funds contributed by employees through payroll for use in the medical and dependent care flexible spending program.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-2015
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 5,500,688	5,557,993	42,327	60,724	5,543,015	5,618,717	-1.3%
Capital assets	5,658,449	5,388,287	22,552	18,324	5,681,001	5,406,611	5.1%
Total assets	11,159,137	10,946,280	64,879	79,048	11,224,016	11,025,328	1.8%
Deferred outflows of resources	398,890	-	3,098	-	401,988	-	-
Long-term liabilities	2,440,435	669,559	64,277	6,497	2,504,712	676,056	270.5%
Other liabilities	399,675	502,119	-	-	399,675	502,119	-20.4%
Total liabilities	2,840,110	1,171,678	64,277	6,497	2,904,387	1,178,175	146.5%
Deferred inflows of resources	3,333,997	2,702,311	21,509	-	3,355,506	2,702,311	24.2%
Net Position:							
Invested in capital assets, net of related debt	5,347,833	4,865,302	22,552	18,324	5,370,385	4,883,626	10.0%
Restricted	1,565,504	1,721,522	-	-	1,565,504	1,721,522	-9.1%
Unrestricted	(1,529,417)	485,467	(40,361)	54,227	(1,569,778)	539,694	-390.9%
Total Net Position	\$ 5,383,920	7,072,291	(17,809)	72,551	5,366,111	7,144,842	-24.9%

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,470,728 and \$70,525, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4								
Changes in Net Position								
Governmental Activities			Business type Activities		Total District		Total Change	
Year ended June 30, 2014			Year ended June 30, 2014		Year ended June 30, 2014		June 30, 2014-2015	
2015 (Not restated)			2015 (Not restated)		2015 (Not restated)		2014-2015	
Revenues:								
Program revenues:								
Charges for service	\$	896,494	774,980	138,474	141,481	1,034,968	916,461	12.9%
Operating grants, contributions and restricted interest		949,437	929,756	130,239	130,129	1,079,676	1,059,885	1.9%
Capital grants and contributions		-	-	6,480	8,075	6,480	8,075	-
General revenues:								
Property tax		2,712,857	2,343,236	-	-	2,712,857	2,343,236	15.8%
Local option sales and service tax		640,414	648,960	-	-	640,414	648,960	-1.3%
Unrestricted state grants		1,893,759	2,146,383	-	-	1,893,759	2,146,383	-11.8%
Unrestricted investment earnings		620	199	2	1,041	622	1,240	-49.8%
Other		51,240	55,334	-	-	51,240	55,334	-7.4%
Total revenues		7,144,821	6,898,848	275,195	280,726	7,420,016	7,179,574	3.3%
Program expenses:								
Governmental activities:								
Instruction		4,235,629	4,341,838	-	-	4,235,629	4,341,838	-2.4%
Support services		1,532,008	1,538,764	-	-	1,532,008	1,538,764	-0.4%
Non-instructional programs		8,062	-	295,030	245,491	303,092	245,491	23.5%
Other expenses		586,765	488,830	-	-	586,765	488,830	20.0%
Total expenses		6,362,464	6,369,432	295,030	245,491	6,657,494	6,614,923	0.6%
Change in Net Position		782,357	529,416	(19,835)	35,235	762,522	564,651	35.0%
Net position beginning of year, as restated		4,601,563	6,542,875	2,026	37,316	4,603,589	6,580,191	-30.0%
Net position end of year	\$	5,383,920	7,072,291	(17,809)	72,551	5,366,111	7,144,842	-24.9%

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2014			2014		
	2015	(Not restated)	2014-2015	2015	(Not restated)	2014-2015
Instruction	\$ 4,235,629	4,341,838	-2.4%	2,618,410	2,858,038	-8.4%
Support services	1,532,008	1,538,764	-0.4%	1,515,113	1,531,404	-1.1%
Non-instructional programs	8,062	-	-	8,062	-	-
Other expenses	586,765	488,830	20.0%	374,948	275,254	36.2%
Totals	\$ 6,362,464	6,369,432	-0.1%	4,516,533	4,664,696	-3.2%

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Governmental Activities

The District saw an increase in total net position of \$782,357. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, maintenance of positive open enrollment revenues, and the collection of local option sales and service tax monies.

Business Type Activities

Revenues for business type activities were \$275,195 and expenses were \$295,030. Net position decreased \$19,835 from \$2,026 to (\$17,809). The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income.

Individual Fund Analysis

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,523,717 which is \$164,431 more than the balance of \$2,359,286 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2015, compared with where we were on June 30, 2014. You can find these figures in the year-end reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

General Operating Fund

In the General Fund, we had revenues and other financing sources of \$5,893,703. We had expenditures and other financing uses of \$5,567,235. Therefore, we ended the year \$326,468 in the black. We started the year with a balance of \$812,320, so we ended the year with a balance of \$1,138,788. The increase was due predominantly to open enrollment increase.

Management Fund

In the Management Fund, we had expenditures of \$192,171 and revenues of \$199,452. Therefore, we ended the year \$7,281 in the black. We started the year with \$146,328, we ended the year with a balance of \$153,609. Approximately \$190,000 will be added to this fund through the Management Levy passed for the 2015-16 budget. The fund is now used for the early retirement program, insurance premiums and unemployment claims. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments

Physical Plant and Equipment Levy (PPEL)

In PPEL we had expenditures of \$107,191 and revenues of \$70,087 meaning we were \$37,104 in the red. We started the year with \$142,475 we finished with a balance of \$105,371. A new bus and part of the new high school boiler was purchased in 2014-15.

Capital Projects

We started the year with a balance of \$1,198,953 in all capital projects funds. We had expenditures of \$912,356 and revenues of \$720,403. The balance is now \$1,007,000 (a decrease of \$191,953). The debt service is now being paid totally by one-cent sales tax funding. No taxes are being assessed to retire the debt. Since payments on the debt are lower than previous years, capital projects funds are available on a larger scale for projects. A lap top computer program was started in the fall of 2012 using these funds. The new bus barn addition, football press box, and renovation of the Welding Academy have been made with this funding.

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance was \$201,685. At the end of the year, it was \$224,320. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black.

Proprietary Fund Highlights

Nutrition Fund

The nutrition fund started the year with a balance of \$2,026 (this balance was restated from the ending balance of the prior year, due to GASB 68). Revenues for the year totaled \$275,195 while expenditures totaled \$295,030 leaving a balance of negative \$17,809 a difference of \$19,835 in the red.

Budgetary Highlights

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2015, the District had invested \$5,681,001, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$318,637.

The original cost of the District's capital assets was \$10,005,230. Of this amount \$193,926 was in the Proprietary, School Lunch Fund.

Figure A-6							
Capital Assets, net of Depreciation							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	(Not		(Not		(Not		
	restated)		restated)		(Not restated)		2014-2015
	2015	2015	2015	2015	2015	2015	
Land	\$ 95,250	95,250	-	-	95,250	95,250	0.0%
Buildings	4,601,107	4,413,307	-	-	4,601,107	4,413,307	4.3%
Improvements other than buildings	448,378	402,723	-	-	448,378	402,723	11.3%
Furniture and equipment	513,714	477,007	22,552	18,324	536,266	495,331	8.3%
Totals	\$5,658,449	5,388,287	22,552	18,324	5,681,001	5,406,611	5.1%

**North Mahaska Community School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Long-Term Debt

On June 30, 2015, the District had \$205,000 in general obligation bonds. This represents a decrease of approximately 35% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements. Refinancing of the district bonds resulted in a savings of over \$60,000 for the life of the bonds. Future bond payments will run through 2017 and will be paid entirely by one-cent options sales tax funds.

**Figure A-7
Outstanding Long-Term Obligations**

	Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	
General obligation bonds	\$ 205,000	315,000	-34.9%
Bond premium, net	1,992	3,986	-
Bond discount, net	(1,117)	(2,235)	-
Capital lease	104,741	206,234	-49.2%
Early retirement	13,500	23,500	-42.6%
Compensated absences	5,923	11,004	-46.2%
Net pension liability	1,973,182	-	-
Other postemployment benefits	137,214	112,070	22.4%
Totals	\$2,440,435	669,559	264.5%

Factors Bearing on the District's Future

The district remains in sound financial condition. The one cent option sales tax (SILO) will continue to be a big help for many projects with a smaller amount required to retire the debt. Decreasing enrollment will continue to deplete the general fund. In 2010-11 the district had a slight increase in enrollment and recovered lost funding through the cash reserve levy. In 2011-12 funding was again restored with a cash reserve levy. This has stabilized finances, however, 42-student decrease in enrollment in 2014-15 will put a strain on the budget again, particularly if followed by further projected decreases. An instructional support levy that was approved in 2014-15 will help to cushion the expected shortfall. The SILO revenues can help with authorized purchases but is very limited in the type of expenditures allowed. An increase in open enrollment students has helped the district. All of these factors will keep the district in a tight budgeting environment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Quang, Business Manager, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

Basic Financial Statements

North Mahaska Community School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,608,531	34,247	2,642,778
Receivables:			
Property tax:			
Delinquent	24,344	-	24,344
Succeeding year	2,580,460	-	2,580,460
Accounts	41,225	-	41,225
Due from other governments	246,128	-	246,128
Inventories	-	8,080	8,080
Capital assets, net of accumulated depreciation	5,658,449	22,552	5,681,001
Total assets	11,159,137	64,879	11,224,016
Deferred Outflows of Resources			
Pension related deferred outflows	398,890	3,098	401,988
Liabilities			
Accounts payable	146,849	-	146,849
Excess of warrants issued over bank balance	230,570	-	230,570
Salaries and benefits payable	19,092	-	19,092
Accrued interest payable	3,164	-	3,164
Long-term liabilities:			
Portion due within one year:			
Early retirement	10,000	-	10,000
General obligation bonds payable	105,000	-	105,000
Obligations under capital lease	104,741	-	104,741
Compensated absences	5,923	-	5,923
Portion due after one year:			
Early retirement	3,500	-	3,500
General obligation bonds payable	100,875	-	100,875
Net pension liability	1,973,182	56,323	2,029,505
Net OPEB liability	137,214	7,954	145,168
Total liabilities	2,840,110	64,277	2,904,387
Deferred Inflows of Resources			
Unavailable property tax revenue	2,580,460	-	2,580,460
Pension related deferred inflows	753,537	21,509	775,046
Total deferred inflows of resources	3,333,997	21,509	3,355,506
Net Position			
Net investment in capital assets	5,347,833	22,552	5,370,385
Restricted for:			
Management levy purposes	153,609	-	153,609
Physical plant and equipment	105,371	-	105,371
Capital projects	901,629	-	901,629
Student activities	224,320	-	224,320
Categorical funding	180,575	-	180,575
Unrestricted	(1,529,417)	(40,361)	(1,569,778)
Total net position	\$ 5,383,920	(17,809)	5,366,111

See notes to financial statements.

North Mahaska Community School District
Statement of Activities
Year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 2,747,483	460,588	561,729	-	(1,725,166)	-	(1,725,166)
Special	781,802	93,522	149,195	-	(539,085)	-	(539,085)
Other	706,344	342,384	9,801	-	(354,159)	-	(354,159)
	4,235,629	896,494	720,725	-	(2,618,410)	-	(2,618,410)
Support Service:							
Student	109,983	-	-	-	(109,983)	-	(109,983)
Instructional staff	158,608	-	-	-	(158,608)	-	(158,608)
Administration	609,432	-	-	-	(609,432)	-	(609,432)
Operation and maintenance of plant	387,351	-	-	-	(387,351)	-	(387,351)
Transportation	266,634	-	16,895	-	(249,739)	-	(249,739)
	1,532,008	-	16,895	-	(1,515,113)	-	(1,515,113)
Non-instructional programs	8,062	-	-	-	(8,062)	-	(8,062)
Other expenditures:							
Facilities acquisition	192,306	-	-	-	(192,306)	-	-
Long-term debt interest	11,607	-	-	-	(11,607)	-	(11,607)
AEA flowthrough	211,817	-	211,817	-	-	-	-
Depreciation (unallocated)*	171,035	-	-	-	(171,035)	-	(171,035)
	586,765	-	211,817	-	(374,948)	-	(374,948)
Total governmental activities	6,362,464	896,494	949,437	-	(4,516,533)	-	(4,516,533)
Business type activities:							
Non-instructional programs:							
Food service operations	295,030	138,474	130,239	6,480	-	(19,837)	(19,837)
	295,030	138,474	130,239	6,480	-	(19,837)	(19,837)
Total primary government	\$ 6,657,494	1,034,968	1,079,676	6,480	(4,516,533)	(19,837)	(4,536,370)

North Mahaska Community School District
Statement of Activities
Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,657,494	1,034,968	1,079,676	6,480	(4,516,533)	(19,837)	(4,536,370)
General Revenues:							
Property tax levied for:							
General purposes					2,642,798	-	2,642,798
Capital outlay					70,059	-	70,059
Statewide sales, services and use tax					640,414	-	640,414
Unrestricted state grants					1,893,759	-	1,893,759
Unrestricted investment earnings					620	2	622
Other					51,240	-	51,240
Total general revenues					5,298,890	2	5,298,892
Change in net position					782,357	(19,835)	762,522
Net position beginning of year, as restated					4,601,563	2,026	4,603,589
Net position end of year					\$ 5,383,920	(17,809)	5,366,111

* This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

North Mahaska Community School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 1,317,451	-	914,887	376,193	2,608,531
Receivables:					
Property tax:					
Delinquent	22,000	-	629	1,715	24,344
Succeeding year	2,288,488	-	71,371	220,601	2,580,460
Accounts	40,205	-	999	21	41,225
Due from other governments	145,896	-	100,232	-	246,128
Total assets	\$ 3,814,040	-	1,088,118	598,530	5,500,688
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 137,102	-	9,747	-	146,849
Excess warrants issued over bank balance	230,570	-	-	-	230,570
Salaries and benefits payable	19,092	-	-	-	19,092
Total liabilities	386,764	-	9,747	-	396,511
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,288,488	-	71,371	220,601	2,580,460
Total deferred inflows of resources	2,288,488	-	71,371	220,601	2,580,460
Fund balances:					
Restricted for:					
Categorical funding	180,575	-	-	-	180,575
Management levy purposes	-	-	-	153,609	153,609
Student activities	-	-	-	224,320	224,320
School infrastructure	-	-	901,629	-	901,629
Physical plant and equipment	-	-	105,371	-	105,371
Unassigned	958,213	-	-	-	958,213
Total fund balances	1,138,788	-	1,007,000	377,929	2,523,717
Total liabilities, deferred inflows of resources and fund balances	\$ 3,814,040	-	1,088,118	598,530	5,500,688

See notes to financial statements.

Exhibit D

**North Mahaska Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2015**

Total fund balances of governmental funds (Exhibit C) \$ 2,523,717

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,658,449

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$	398,890	
Deferred inflows of resources		(753,537)	(354,647)

Long-term liabilities, including bonds payable, bond premiums and issuance costs, accrued interest, early retirement, obligations under capital lease, net pension liability, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds payable	(205,000)		
GO bond premium	(1,992)		
GO bond discount	1,117		
Accrued interest	(3,164)		
Early retirement	(13,500)		
Obligations under capital lease	(104,741)		
Net pension liability	(1,973,182)		
Net OPEB liability	(137,214)		
Compensated absences	(5,923)		
			(2,443,599)

Net position of governmental activities (Exhibit A) \$ 5,383,920

See notes to financial statements.

Exhibit E

North Mahaska Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,443,477	-	69,824	190,427	2,703,728
Tuition	525,065	-	-	-	525,065
Other	70,885	-	9,906	351,168	431,959
Intermediate sources	10,507	-	-	-	10,507
State sources	2,624,201	-	640,673	708	3,265,582
Federal sources	217,568	-	-	-	217,568
Total revenues	5,891,703	-	720,403	542,303	7,154,409
Expenditures:					
Current:					
Instruction:					
Regular	2,692,625	-	107,994	37,410	2,838,029
Special	793,741	-	-	-	793,741
Other	389,668	-	-	320,216	709,884
	3,876,034	-	107,994	357,626	4,341,654
Support services:					
Student	112,996	-	-	403	113,399
Instructional staff	155,591	-	5,880	403	161,874
Administration	607,305	-	1,145	17,185	625,635
Operation and maintenance of plant	331,527	-	43,072	107,485	482,084
Transportation	271,965	-	79,288	21,223	372,476
	1,479,384	-	129,385	146,699	1,755,468
Non-instructional programs	-	-	-	8,062	8,062
Other expenditures:					
Facilities acquisition	-	-	448,442	-	448,442
Long-term debt:					
Principal	-	211,493	-	-	211,493
Interest and fiscal charges	-	15,042	-	-	15,042
AEA flowthrough	211,817	-	-	-	211,817
	211,817	226,535	448,442	-	886,794
Total expenditures	5,567,235	226,535	685,821	512,387	6,991,978
Excess (deficiency) of revenues over (under) expenditures	324,468	(226,535)	34,582	29,916	162,431
Other financing sources (uses):					
Proceeds from sale of assets	2,000	-	-	-	2,000
Operating transfers in	-	226,535	-	-	226,535
Operating transfers (out)	-	-	(226,535)	-	(226,535)
Total other financing sources (uses)	2,000	226,535	(226,535)	-	2,000
Net change in fund balances	326,468	-	(191,953)	29,916	164,431
Fund balances beginning of year	812,320	-	1,198,953	348,013	2,359,286
Fund balances end of year	\$ 1,138,788	-	1,007,000	377,929	2,523,717

See notes to financial statements.

North Mahaska Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2015

Net change in fund balances - total governmental funds (Exhibit E)	\$	164,431
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	598,135	
Depreciation expense		(316,385)	
Gain (Loss) on disposal of assets		(11,588)	
			270,162

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities. Current year items are as follows:

Bond principal repaid	110,000	
Capital lease principal repaid	101,493	
Amortization of bond premiums	1,994	
Amortization of bond discount	(1,118)	
		212,369

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,559

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position

290,364

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows.

Early retirement	10,000	
Compensated absences	5,081	
Pension expense	(147,465)	
Other postemployment benefits	(25,144)	
		(157,528)

Change in net position of governmental activities (Exhibit B)	\$	782,357
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See notes to financial statements.

North Mahaska Community School District
Statement of Net Position
Proprietary Fund
June 30, 2015

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 34,247
Inventories	8,080
Total current assets	<u>42,327</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	193,926
Accumulated depreciation	<u>(171,374)</u>
Total non-current assets	<u>22,552</u>
Total assets	<u><u>64,879</u></u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>3,098</u>
Liabilities	
Current liabilities:	
Accounts payable	-
Total current liabilities	<u>-</u>
Non-current liabilities:	
Net pension liability	56,323
Net OPEB liability	<u>7,954</u>
Total non-current liabilities	<u>64,277</u>
Total liabilities	<u><u>64,277</u></u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>21,509</u>
Net Position	
Net investment in capital assets	22,552
Unrestricted	<u>(40,361)</u>
Total net position	<u><u>\$ (17,809)</u></u>

See notes to financial statements.

Exhibit H

North Mahaska Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2015

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 138,474
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	106,189
Benefits	63,683
Purchased services	155
Supplies	122,751
Depreciation	2,252
Total operating expenses	295,030
Operating loss	(156,556)
Non-operating revenue:	
Interest income	2
State sources	2,356
Federal sources	127,883
Total non-operating revenue	130,241
Other sources:	
Capital contributions	6,480
Change in net position	(19,835)
Net position beginning of year, as restated	2,026
Net position end of year	\$ (17,809)

See notes to financial statements.

Exhibit I

North Mahaska Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 138,474
Cash payments to employees for services	(164,206)
Cash payments to suppliers for goods or services	(108,787)
Net cash used by operating activities	<u>(134,519)</u>
Cash flows from non-capital financing activities:	
State grants received	2,356
Federal grants received	112,049
Net cash provided by non-capital financing activities	<u>114,405</u>
Cash flows from investing activities:	
Interest on investments	<u>2</u>
Net decrease in cash and cash equivalents	(20,112)
Cash and cash equivalents at beginning of year	<u>54,359</u>
Cash and cash equivalents at end of year	<u><u>\$ 34,247</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (156,556)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,834
Depreciation	2,252
(Increase) in inventories	(1,715)
Increase in accounts payable	-
Increase in other postemployment benefits	1,457
(Decrease) in net pension liability	(22,501)
Decrease in deferred outflows of resources	5,201
Increase in deferred inflows of resources	21,509
Net cash used by operating activities	<u><u>\$ (134,519)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 34,247
Cash and cash equivalents at year end	<u><u>\$ 34,247</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$15,834 of federal commodities.

During the year ended June 30, 2015, contributed capital assets from governmental funds totaled \$6,480.

See notes to financial statements.

Exhibit J

**North Mahaska Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 274,579	226
Receivables:		
Accounts	-	4,312
Total assets	274,579	4,538
Liabilities		
Accounts payable	-	4,538
Total liabilities	-	4,538
Net position		
Reserved for scholarships	274,579	-
Total Net Position	\$ 274,579	-

See notes to financial statements.

Exhibit K

North Mahaska Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2015

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 6,508
Interest income	4,749
Total revenues	11,257
Deductions:	
Instruction:	
Scholarships awarded	5,500
Unrealized losses on investments	2,543
Total expenditures	8,043
Change in net position	3,214
Net position beginning of year, as restated	271,365
Net position end of year	\$ 274,579

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$2,089,976

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	226,535
		<u>\$ 226,535</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Total capital assets not being depreciated	95,250	-	-	95,250
Capital assets being depreciated:				
Buildings	6,807,528	352,307	-	7,159,835
Improvements other than buildings	1,054,022	85,138	11,465	1,127,695
Furniture and equipment	1,299,901	160,690	32,067	1,428,524
Total capital assets being depreciated	9,161,451	598,135	43,532	9,716,054
Less accumulated depreciation for:				
Buildings	2,394,221	164,507	-	2,558,728
Improvements other than buildings	651,299	35,470	7,452	679,317
Furniture and equipment	822,894	116,408	24,492	914,810
Total accumulated depreciation	3,868,414	316,385	31,944	4,152,855
Total capital assets being depreciated, net	5,293,037	281,750	11,588	5,563,199
Governmental activities capital assets, net	\$ 5,388,287	281,750	11,588	5,658,449
Business type activities:				
Furniture and equipment	\$ 187,446	6,480	-	193,926
Less accumulated depreciation	169,122	2,252	-	171,374
Business type activities capital assets, net	\$ 18,324	4,228	-	22,552

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 30,416
Other	15,383

Support services:

Instructional support	150
Operation and maintenance of plant	13,358
Transportation	86,043
	145,350

Unallocated depreciation	171,035
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Total governmental activities depreciation expense	\$ 316,385
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Business type activities:

Food services	\$ 2,252
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 315,000	-	110,000	205,000	105,000
GO bonds discount	(2,235)	-	(1,118)	(1,117)	-
GO bonds premium	3,986	-	1,994	1,992	-
Early retirement	23,500	-	10,000	13,500	10,000
Compensated absences	11,004	5,923	11,004	5,923	5,923
Obligations under capital lease	206,234	-	101,493	104,741	104,741
Net pension liability	2,761,458	-	788,276	1,973,182	-
Net OPEB liability	112,070	25,144	-	137,214	-
Total	\$ 3,431,017	31,067	1,021,649	2,440,435	225,664
Business type activities:					
Net pension liability	\$ 78,824	-	22,501	56,323	-
Net OPEB liability	6,497	1,457	-	7,954	-
Total	\$ 85,321	1,457	22,501	64,277	-

General Obligation Bonds

Details of the District's June 30, 2015, general obligation bonded indebtedness are as follows:

Bond Issue of April 27, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.55%	105,000	5,577	110,577
2017	2.90%	100,000	2,900	102,900
Total		\$ 205,000	8,477	213,477

Capital Lease

The District entered into a capital lease arrangement April 1, 2014 for the purchase of computer equipment for the District. The following is a schedule of the future minimum payments required under the lease together with their present value as of June 30, 2015.

Year ending June 30,	Apple Computer, Inc Capital Lease
2016	108,093
Total minimum lease payments	108,093
Less amount representing interest	3,352
Present value of minimum lease payments	\$ 104,741

(6) Pension Plan

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit

pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$298,652.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,029,505 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.050147 percent, which was a decrease of 0.000017 from its proportion measured as of June 30, 2013.

North Mahaska Community School District
Notes to Financial Statements
June 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$151,674. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,057	-
Changes of assumptions	89,567	-
Net difference between projected and actual earnings on pension plan investments	-	773,995
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,051
District contributions subsequent to the measurement date	298,652	-
Total	<u>\$ 410,276</u>	<u>775,046</u>

\$298,652 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (167,681)
2017	(167,681)
2018	(167,681)
2019	(167,681)
2020	7,302
	<u>\$ (663,422)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher 8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 3,834,692	\$ 2,029,505	\$ 505,740

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,123 for legally required employer contributions and \$748 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 65 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

North Mahaska Community School District
Notes to Financial Statements
June 30, 2015

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 85,000
Interest on net OPEB obligation	5,336
Adjustment to annual required contribution	(4,735)
Annual OPEB cost	85,601
Contributions made	(59,000)
Increase in net OPEB obligation	26,601
Net OPEB obligation beginning of year	118,567
Net OPEB obligation end of year	\$ 145,168

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$59,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 83,000	56.63%	\$ 36,000
June 30, 2011	83,274	56.44%	72,274
June 30, 2012	83,549	63.44%	102,823
June 30, 2013	86,000	89.33%	112,000
June 30, 2014	85,567	92.33%	118,567
June 30, 2015	85,601	68.92%	145,168

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was \$651,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$651,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,300,000, and the ratio of the UAAL to covered payroll was 19.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$211,817 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Commitments and Contingencies

The District is a defendant in a worker's compensation claim. Any potential judgment is not expected to exceed insurance coverage and it is the opinion of management in consultation with legal counsel that the final settlement of this matter will not result in a material adverse effect on the financial position of the District.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 7,072,291	72,551
Net pension liability at June 30, 2014	(2,761,458)	(78,824)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	290,730	8,299
Net position July 1, 2014, as restated:	<u>\$ 4,601,563</u>	<u>2,026</u>

Required Supplementary Information

North Mahaska Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original & Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,660,752	138,476	3,799,228	4,209,517	(410,289)
Intermediate sources	10,507	-	10,507	10,000	507
State sources	3,265,582	2,356	3,267,938	2,687,436	580,502
Federal sources	217,568	127,883	345,451	305,000	40,451
Total revenues	7,154,409	268,715	7,423,124	7,211,953	211,171
Expenditures:					
Instruction	4,341,654	-	4,341,654	5,270,000	928,346
Support services	1,755,468	-	1,755,468	2,657,000	901,532
Non-instructional programs	8,062	295,030	303,092	320,000	16,908
Other expenditures	886,794	-	886,794	907,567	20,773
Total expenditures	6,991,978	295,030	7,287,008	9,154,567	1,867,559
Excess of revenues over expenditures	162,431	(26,315)	136,116	(1,942,614)	2,078,730
Other financing sources, net	2,000	6,480	8,480	-	8,480
Excess of revenues and other financing sources over expenditures	164,431	(19,835)	144,596	(1,942,614)	2,087,210
Balances beginning of year, as restated	2,359,286	2,026	2,361,312	2,112,460	248,852
Balances end of year	\$ 2,523,717	(17,809)	2,505,908	169,846	2,336,062

See accompanying independent auditor's report.

North Mahaska Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In Accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutory prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Cod of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

North Mahaska Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year* (In Thousands)
Required Supplementary Information

	2015
District's proportion of the net pension liability	0.050147%
District's proportion of the net pension pension liability	\$ 2,030
District's covered-employee payroll	\$ 3,334
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.89%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

North Mahaska Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 299	299	281	252	219	214	203	171	157	146
Contributions in relation to the statutorily required contribution	(299)	(299)	(281)	(252)	(219)	(214)	(203)	(171)	(157)	(146)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,940	3,334	3,231	3,102	3,116	3,201	3,192	2,833	2,723	2,541
Contributions as a percentage of covered-employee payroll	10.17%	8.97%	8.70%	8.12%	7.03%	6.69%	6.36%	6.04%	5.77%	5.75%

See accompanying independent auditor's report.

North Mahaska Community School District
Notes to Required Supplementary Information - Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

North Mahaska Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%
2012	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%
2013	July 1, 2012	-	651,000	651,000	0.0%	3,200,000	20.3%
2014	July 1, 2012	-	651,000	651,000	0.0%	3,300,000	19.7%
2015	July 1, 2012	-	651,000	651,000	0.0%	3,300,000	19.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

North Mahaska Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 151,873	224,320	376,193
Receivables:			
Property tax:			
Delinquent	1,715	-	1,715
Succeeding year	220,601	-	220,601
Accounts	21	-	21
Total assets	\$ 374,210	224,320	598,530
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	220,601	-	220,601
Total deferred inflows of resources	220,601	-	220,601
Fund balances:			
Restricted for:			
Management levy purposes	153,609	-	153,609
Student activities	-	224,320	224,320
Total fund balances	153,609	224,320	377,929
Total liabilities, deferred inflows of resources and fund balances	\$ 374,210	224,320	598,530

See accompanying independent auditor's report.

Schedule 2

North Mahaska Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 190,427	-	190,427
Other	8,317	342,851	351,168
State sources	708	-	708
Total revenues	199,452	342,851	542,303
Expenditures:			
Current:			
Instruction:			
Regular	37,410	-	37,410
Other	-	320,216	320,216
Support Services:			
Student	403	-	403
Instructional staff	403	-	403
Administration	17,185	-	17,185
Operation and maintenance of plant	107,485	-	107,485
Transportation	21,223	-	21,223
Non-instructional programs	8,062	-	8,062
Total expenditures	192,171	320,216	512,387
Excess (deficiency) of revenues over (under) expenditures	7,281	22,635	29,916
Fund balance beginning of year	146,328	201,685	348,013
Fund balance end of year	\$ 153,609	224,320	377,929

See accompanying independent auditor's report.

Schedule 3

North Mahaska Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Sports Physicals	\$ 1,539	1,680	1,300	1,919
Drama - Plays	1,281	1,657	1,553	1,385
School Musical	2,388	-	-	2,388
Speech	1,055	876	392	1,539
Music Resale	437	1,133	1,204	366
Band Uniform	980	661	1,641	-
Vocal	2,714	1,173	798	3,089
Flags	92	-	-	92
Instrumental	246	761	1,007	-
Pop	6,796	1,539	475	7,860
District Football	522	-	-	522
Athletic Resale	2,180	1,570	1,820	1,930
FB Cheerleaders	215	2,248	953	1,510
Baseball Concessions	6,156	6,582	6,543	6,195
Softball Concessions	5,587	6,917	6,834	5,670
Athletic Misc	15,797	17,785	13,412	20,170
WR Cheerleaders	462	-	-	462
Softball	1,196	-	-	1,196
Dance Team	897	7,480	6,817	1,560
Boys Basketball	-	5,445	5,445	-
Boys Basketball - Coach	1,259	350	160	1,449
Football - Coach	495	2,221	1,502	1,214
Football	90	9,516	9,606	-
Baseball	-	8,215	8,215	-
Boys Track	-	1,451	1,451	-
Boys Track - Coach	944	350	150	1,144
Boys Golf	-	310	310	-
G/B Golf - Coach	-	350	-	350
Wrestling	-	1,049	1,049	-
Girls Basketball	-	5,835	5,835	-
Girls Volleyball	-	3,357	3,357	-
Volleyball - Coach	1,073	-	-	1,073
Girls Basketball - Coach	796	843	653	986
Softball	-	5,383	5,383	-
Girls Track	25	882	907	-
Girls Track - Coach	467	350	-	817
Music Boosters	8,599	4,016	6,271	6,344
Athletic Boosters	15,378	31,890	33,504	13,764
Mat Club	8,733	7,216	9,206	6,743
High School Fundraiser	1,219	307	577	949
Elementary Fundraiser	1,490	904	925	1,469
Interest	1,424	467	970	921
Prom Party	923	10,527	10,850	600
Annual	2,431	9,008	9,877	1,562
National Honor Society	-	1,017	1,017	-
Senior Class Trip	648	-	-	648
Washington DC Trip	950	-	-	950
Student Health	342	-	-	342
FFA	-	22,524	20,218	2,306

Schedule 3

North Mahaska Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
FFA Foundation - Scholarship	3,734	4,630	1,752	6,612
FFA - Farm	27,423	11,647	10,058	29,012
Greenhouse	1,767	2,131	1,354	2,544
Band Miscellaneous	117	2,918	3,035	-
Archery Club	1,378	13,271	5,632	9,017
Band Fundraiser	2,434	4,250	2,194	4,490
Champion Sign	25	-	-	25
School Fund - Concessions	27,740	24,258	21,471	30,527
Student Council	-	1,107	1,107	-
Elementary Miscellaneous	20,010	20,779	22,233	18,556
Rocket Team	-	706	644	62
Class of 2015	2,514	22,451	24,965	-
Class of 2016	502	11,878	10,058	2,322
Class of 2017	858	290	25	1,123
Class of 2018	385	809	564	630
Class of 2019	130	125	-	255
Class of 2020	-	195	-	195
NM Clay Target Shooters	9,645	21,184	24,116	6,713
Warhawk Laser Art	-	2,968	1,380	1,588
Water Bottle Sales	-	4,546	4,546	-
Grain For Grads	-	3,968	-	3,968
TJ Goemaat Memorial	5,197	2,895	2,895	5,197
Totals	\$ 201,685	342,851	320,216	224,320

See accompanying independent auditor's report.

Schedule 4

North Mahaska Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 809,000	105,887	914,887
Receivables:			
Property tax:			
Delinquent	-	629	629
Succeeding year	-	71,371	71,371
Accounts	999	-	999
Due from other governments	100,232	-	100,232
Total assets	\$ 910,231	177,887	1,088,118
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,602	1,145	9,747
Total liabilities	8,602	1,145	9,747
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	71,371	71,371
Total deferred inflows of resources	-	71,371	71,371
Fund balances:			
Restricted for:			
School infrastructure	901,629	-	901,629
Physical plant and equipment	-	105,371	105,371
Total fund balances	901,629	105,371	1,007,000
Total liabilities, deferred inflows of resources and fund balances	\$ 910,231	177,887	1,088,118

See accompanying independent auditor's report.

Schedule 5

North Mahaska Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	69,824	69,824
Other	9,902	4	9,906
State sources	640,414	259	640,673
Total revenues	650,316	70,087	720,403
Expenditures:			
Instruction:			
Regular	107,994	-	107,994
Support Services:			
Instructional staff	5,880	-	5,880
Administration	-	1,145	1,145
Operation and maintenance of plant	16,350	26,722	43,072
Transportation	-	79,288	79,288
Other Expenditures			
Facilities acquisition	448,406	36	448,442
Total expenditures	578,630	107,191	685,821
Excess of revenues over expenditures	71,686	(37,104)	34,582
Other financing (uses):			
Operating transfers (out)	(226,535)	-	(226,535)
Total other financing (uses)	(226,535)	-	(226,535)
Change in fund balances	(154,849)	(37,104)	(191,953)
Fund balances beginning of year	1,056,478	142,475	1,198,953
Fund balances end of year	\$ 901,629	105,371	1,007,000

See accompanying independent auditor's report.

Schedule 6

North Mahaska Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Receivables less excess warrants	\$ 1,485	32,962	29,909	4,538
Total assets	\$ 1,485	32,962	29,909	4,538
Liabilities				
Accounts payable	\$ 1,485	32,962	29,909	4,538
Total liabilities	\$ 1,485	32,962	29,909	4,538

See accompanying independent auditor's report.

North Mahaska Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,703,728	2,343,236	2,980,589	2,971,818	2,996,000	2,616,631	2,401,710	2,307,783	2,289,190	2,185,988
Tuition	525,065	393,983	347,465	269,185	266,605	214,043	218,320	244,659	250,820	236,039
Other	431,959	435,620	433,058	502,345	544,431	439,368	725,426	394,722	422,997	360,951
Intermediate sources	10,507	10,407	9,150	8,000	7,378	7,201	-	-	-	-
State sources	3,265,582	3,530,267	2,622,728	2,682,001	2,504,761	2,257,816	2,575,799	2,621,155	2,487,339	2,306,029
Federal sources	217,568	185,335	155,229	257,872	265,400	462,984	193,662	156,835	157,417	169,241
Total	<u>\$ 7,154,409</u>	<u>6,898,848</u>	<u>6,548,219</u>	<u>6,691,221</u>	<u>6,584,575</u>	<u>5,998,043</u>	<u>6,114,917</u>	<u>5,725,154</u>	<u>5,607,763</u>	<u>5,258,248</u>
Expenditures:										
Instruction:										
Regular	\$ 2,838,029	2,775,595	2,745,123	2,951,172	2,566,141	2,556,376	2,537,679	3,351,499	3,145,711	3,066,755
Special	793,741	866,860	830,164	660,994	631,048	644,938	632,572	N/A	N/A	N/A
Other	709,884	703,687	631,779	724,046	667,494	631,619	590,060	N/A	N/A	N/A
Support services:										
Student	113,399	102,804	99,050	82,743	71,253	69,710	82,166	127,220	113,123	106,464
Instructional staff	161,874	163,904	292,794	298,369	275,325	200,754	207,076	214,305	190,871	144,781
Administration	625,635	564,009	593,395	614,968	557,737	543,325	526,528	504,869	515,313	476,634
Operation and maintenance of plant	482,084	383,060	459,133	391,346	373,717	382,440	397,334	329,219	333,837	382,664
Transportation	372,476	300,315	305,646	436,489	346,421	266,134	316,929	324,807	259,081	245,324
Non-instructional programs	8,062	-	5,850	5,000	5,000	8,115	4,500	4,500	4,500	4,000
Other expenditures:										
Facilities acquisition	448,442	281,655	119,337	182,205	75,257	49,994	814,603	100,541	84,957	350,575
Long-term debt:										
Principal	211,493	198,346	206,097	365,000	365,000	330,000	320,000	305,000	295,000	285,000
Interest and other charges	15,042	20,189	19,538	19,843	27,389	98,007	82,764	95,375	106,873	117,012
AEA flowthrough	211,817	213,576	197,639	197,409	216,272	213,983	200,559	188,083	176,431	162,157
Total	<u>\$ 6,991,978</u>	<u>6,574,000</u>	<u>6,505,545</u>	<u>6,929,584</u>	<u>6,178,054</u>	<u>5,995,395</u>	<u>6,712,770</u>	<u>5,545,418</u>	<u>5,225,697</u>	<u>5,341,366</u>

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of North Mahaska Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Mahaska Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Mahaska Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Mahaska Community School District's Responses to Findings

North Mahaska Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. North Mahaska Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

January 14, 2016

Part I: Findings Related to the Financial Statements:
INTERNAL CONTROL DEFICIENCY:

- A Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters noted.

Part II: Other Findings Related to Required Statutory Reporting:

- 1 Certified Budget - Expenditures for the year ended June 30, 2015, did not exceed the certified budget amounts.
- 2 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 3 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4 Business Transactions – No business transactions between the District and District officials or employees were noted.
- 5 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 7 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 8 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

North Mahaska Community School District
Schedule of Findings
Year Ended June 30, 2015

12 Deficit Balance - The School Nutrition fund had a deficit balance at June 30, 2015.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in the School Nutrition fund.

Response - The District is continuing to investigate alternatives to eliminate the deficit in the School Nutrition fund at the end of the fiscal year.

Conclusion - Response accepted.

13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,056,478
Revenues/transfers in:			
Sales tax revenues	\$	640,414	
Other local revenues		9,902	650,316
			<u>1,706,794</u>
Expenditures/transfers out:			
Equipment		578,630	
Transfers to other funds:			
Debt service fund		226,535	805,165
			<u>805,165</u>
Ending balance		\$	<u>901,629</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.56000	118,443